



0000093395

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

Arizona Corporation Commission

DOCKETED

JAN 20 2009

DOCKETED BY

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IN THE MATTER OF NAVOPACHE
ELECTRIC COOPERATIVE, INC.'S
APPLICATION FOR APPROVAL OF
RENEWABLE ENERGY STANDARD
PLAN AND TARIFFS

DOCKET NO. E-01787A-07-0576

DECISION NO. 70699

ORDER

Open Meeting
January 13 and 14, 2009
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Navopache Electric Cooperative, Inc. ("NEC") is certificated to provide electric service as a public service corporation in the State of Arizona.

Background

2. On November 3, 2008, NEC, in compliance with Commission Decision No. 70305 dated April 24, 2008, filed with the Arizona Corporation Commission ("Commission") an application for approval of a proposed Renewable Energy Standard and Tariff ("REST") implementation plan for year 2009.

3. On September 16, 2008, NEC filed a Renewable Energy Incentive Program ("REIP") also pursuant to Decision No. 70305. The REIP would be a component of REST plans and would help NEC meet requirements for Distributed Renewable Energy as contained in Arizona Administrative Code R14-2-1805.

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4. Decision No. 70623 approved NEC's REIP and ordered NEC to address the future operations of the REIP in its future annual REST filings, and to include the REIP as a component of its REST implementation plans.

REST Implementation Plan

5. NEC plans to use existing infrastructure and renewable energy credits to comply with the REST requirements. NEC has four photovoltaic systems installed. Two were funded through the Environmental Portfolio surcharge. Two were funded with loans from the Rural Utilities Service of the U.S. Department of Agriculture.

6. NEC has seven members who have installed photovoltaic distributed generation ("DG") systems and interconnected with the NEC system, ranging in size from 1 to 14 kilowatts ("kW"). NEC has been informed by 50 additional members that they intend to install DG.

7. NEC has entered into an agreement to purchase Renewable Energy Credits ("RECs") from Abengoa Solar, Inc., formerly Industrial Solar Technology Corporation, and has signed agreements to purchase RECs from PDM Solar, Inc., and from Solar Utilities Network. These agreements are included in NEC's filing. NEC is considering several other renewable energy providers for possible purchase agreements.

8. NEC has retained Black and Veatch to conduct a feasibility study with respect to geothermal resources in the NEC service territory. This study is projected to be completed, with recommendations, by the end of year 2008. Staff recommends that NEC provide Staff and the Commission with the results of the Black and Veatch study and recommendations.

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9. NEC's renewable resources, including the cost of each, are shown here in Table 1.

Table 1
Renewable Energy Resources -- 2009
Navopache Electric Co-op

Resource	Type	kW Capacity	kWh Energy	\$/kWh	Total Cost
Blue Ridge H.S.	PV / DG	50	144,376	0.225	\$32,485
Mountain Meadow	PV / DG	20	43,800	0.225	\$9,855
NEC Members	PV, Wind / DG	185	405,150	0.090	\$36,464
NEC St. John	PV	94	220,711	0.225	\$49,660
NEC Springerville	PV	114	249,715	0.225	\$56,186
Solar Utilities Network	PV	1,000	2,190,000	0.150	\$328,500
Johnson Cattle Co.	PV	315	569,500	0.090	\$51,255
Abengoa Solar	Solar Thermal	700	1,567,500	0.060	\$94,050
PDM Solar	Solar Cooling	500	1,500,000	0.070	\$105,000
Total Renewables		2,723	6,890,752	\$0.111	\$763,454

Table 1a
Renewable Energy Resources -- 2009
Navopache Electric Co-op

Resource	kW Capacity	kWh Energy	\$/kWh	Total Cost
Total Residential DG	185	405,150	0.090	\$36,464
Total Non-Res DG	70	188,176	0.225	\$42,340
Total Utility and Purchased (non-DG)	2,468	6,297,426	0.109	\$684,651
Total Renewables	2,723	6,890,752	0.111	\$763,454

10. NEC's REST requirement for 2009 is 8,400,000 kWh, so a deficiency of 1,509,248 kWh is apparent. RUS loan funds were advanced to NEC specifically for photovoltaic generation, and NEC is considering using remaining RUS funds for this purpose. This generation, along with additional members who intend to install DG will help make up NEC's shortfall in compliance.

Funding and Surcharge

11. Staff has reviewed NEC's proposed Renewable Energy Standard Tariff which sets forth the surcharge rates and monthly maximums to be collected to fund its annual budget for 2009. The proposed tariff charges are unchanged from those approved by the Commission in Decision No. 70305, April 24, 2008, and are shown below in Table 2.

Table 2
Navopache Electric Co-op
Proposed RES Tariff charges

Customer Class/Category	Energy Charge	Proposed Monthly Maximums	Typical kWh ²	Proposed REST Typical Monthly Cost ³
Residential	\$0.0049880	\$1.05	600	\$1.05
Commercial & Industrial	\$0.0049880	\$39.00	7,580	\$37.80
Commercial & Industrial ≥ 3MW ¹	\$0.0049880	\$117.00	14,353	\$71.59
Governmental & Agricultural	\$0.0008750	\$13.00	1,155	\$1.01
Govn'tal & Agricultural ≥ 3MW ¹	\$0.0008750	\$39.00	229,200	\$39.00

1. 3 MW demand or more for three consecutive months.

2. Source: Previous NEC RES filing.

3. Cost at typical kWh use.

12. NEC provided the following budget:

Table 3
Navopache Electric Cooperative, Inc.
5-Year Renewable Energy Resource Budget

	2009	2010	2011	2012	2013
Resources	Expenditures				
Utility PV	\$1,800,000				
Distributed Renewable Energy	\$500,000	\$600,000	\$650,000	\$650,000	\$800,000
Purchase Power Agreement	\$115,000	\$350,000	\$600,000	\$650,000	\$700,000
Customer Self-Directed*	\$0	\$0	\$0	\$0	0
RUS Loan Repayment	\$90,247	\$90,247	\$90,247	\$90,247	\$90,247
Total Annual Expenditure	\$2,505,247	\$1,040,247	\$1,340,247	\$1,390,247	\$1,590,247
Carry-Over Funds	\$1,053,961	\$1,118,182	\$882,433	\$596,624	\$10,845
Funding Available	\$3,559,208	\$2,158,429	\$2,222,680	\$1,986,871	\$1,601,092

*NEC has determined that there are no cooperative members that will qualify for the Customer-Self Directed Option

Staff Recommendations

13. As noted above, Decision No. 70623 ordered NEC to address the future operations of the REIP in future annual REST filings, and to include the REIP as a component of its REST implementation plan. Such information appears to be absent from NEC's Application, and Staff has recommended that the Commission approve NEC's 2009 REST plan with the proviso that the REIP Plan, as recently approved by Decision No. 70623, is recognized as a part of the 2009 REST Plan.

14. Staff has recommended that NEC's proposed 2009 REST implementation plan be approved as discussed herein.

15. Staff has recommended that NEC's Renewable Energy Standard Tariff (Schedule No. 9) remain at \$0.004988 per kWh with monthly maximums of \$1.05 for residential customers, \$39.00 for Commercial and Industrial customers, and \$117.00 for Commercial and Industrial customers with monthly demands greater than or equal to 3,000 kW.

16. Staff has recommended that NEC's Renewable Energy Standard Tariff (Schedule No. 9) remain at \$0.000875 per kWh for Government and Agricultural customers with monthly

1 maximums of \$13.00 and \$39.00 for Government and Agricultural customers with monthly
2 demands greater than or equal to 3,000 kW.

3 17. Staff has recommended that the Commission order NEC to provide Staff and
4 Commission with the results of the Black and Veatch study and recommendations as soon as they
5 are available.

6 18. Staff has recommended that NEC file in Docket Control a revised Schedule No. 9
7 in compliance with the Decision in this case within 15 days of the effective date of the Decision.

8 CONCLUSIONS OF LAW

9 1. Navopache Electric Cooperative, Inc. is a public service corporation within the
10 meaning of Article XV of the Arizona Constitution.

11 2. The Commission has jurisdiction over Navopache Electric Cooperative, Inc. and the
12 subject matter of the application.

13 3. The Commission, having reviewed the application and Staff's Memorandum dated
14 December 31, 2008, concludes that it is in the public interest to approve the proposed 2009
15 implementation plan with the modifications described herein.

16 ORDER

17 IT IS THEREFORE ORDERED that Navopache Electric Cooperative, Inc.'s proposed
18 2009 REST implementation plan is approved as discussed herein.

19 IT IS FURTHER ORDERED that the REIP Plan as recently approved by Decision No.
20 70623 shall be a part of the 2009 REST Plan.

21 IT IS FURTHER ORDERED that Navopache Electric Cooperative, Inc.'s Renewable
22 Energy Standard Tariff (Schedule No. 9) shall remain at \$0.004988 per kWh with monthly
23 maximums of \$1.05 for residential customers, \$39.00 for Commercial and Industrial customers,
24 and \$117.00 for Commercial and Industrial customers with monthly demands greater than or equal
25 to 3,000 kW.

26 IT IS FURTHER ORDERED that Navopache Electric Cooperative, Inc.'s Renewable
27 Energy Standard Tariff (Schedule No. 9) shall remain at \$0.000875 per kWh for Government and
28 ...

Agricultural customers with monthly maximums of \$13.00 and \$39.00 for Government and Agricultural customers with monthly demands greater than or equal to 3,000 kW.

IT IS FURTHER ORDERED that Navopache Electric Cooperative, Inc. shall provide the Commission's Docket Control the results of the Black and Veatch study and recommendations as soon as they are available.

IT IS FURTHER ORDERED that Navopache Electric Cooperative, Inc. shall file in Docket Control a revised Schedule No. 9 in compliance with the Decision in this case within 15 days of the effective date of the Decision.

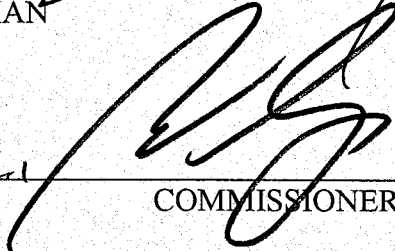
IT IS FURTHER ORDERED that this Decision shall become effective immediately.

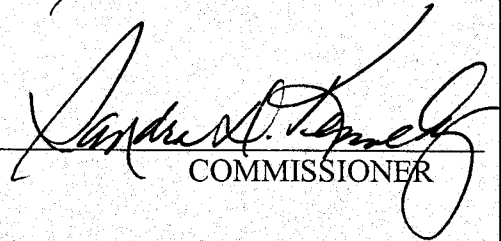
BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION


CHAIRMAN

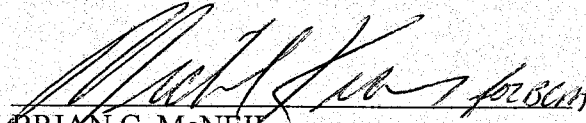

COMMISSIONER


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COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 20TH day of JAN, 2009.


BRIAN C. McNEIL
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

EGJ:JP:lhmc/CH

SERVICE LIST FOR: Navopache Electric Cooperative, Inc.
DOCKET NO. E-01787A-07-0576

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